

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 INRE-00 SSO-00 NSCE-00 USIE-00

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00

NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 FRB-03 PA-01 PRS-01 ERDE-00 SIL-01 LAB-04

OPIC-03 XMB-02 NEA-10 /107 W

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O 032034Z JUN 75

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC IMMEDIATE 8951

LIMITED OFFICIAL USE SECTION 1 OF 2 BRIDGETOWN 0898/1

E.O. 11652: N/A

TAGS: EINV AC

SUBJ: ANTIGUA: STATUS OF WEST INDIES OIL

REFS: (A) BTN A-001 (B) BTN A-049 (C) STATE 124101

SUMMARY: WEST INDIES OIL COMPANY COULD DEVELOP INTO LEADING ISSUE IN ANTIGUA POLITICS SINCE IT REPRESENTS CONCRETE ECONOMIC ACHIEVEMENT BY PRESENT OPPOSITION PARTY. REFINERY IS TOO SMALL AND TOO REMOTE TO BE PROFITABLE AND DIFFICULTY WITH GOVERNMENT OF ANTIGUA AND OTHER FACTORS MAKE NATOMAS UNWILLING TO MAKE FURTHER INVESTMENT IN OPERATION. GOA LIKELY TO CONTINUE AND INCREASE PRESSURE ON WIO, BUT LATTER MAY BE ABLE TO EASE SITUATION SOMEWHAT BY MORE DIPLOMATIC HANDLING OF PREMIER AND HIGH LEVEL EFFECTIVE PRESENTATION OF ADVANTAGES OF NATOMAS OWNERSHIP. END SUMMARY.

1. REFAIR (A) PROVIDED DATA ON WEST INDIES OIL (WIO) PRODUCTION, SOURCES AND EXPORTS WHILE REF (B) PROVIDED SOME BACKGROUND ON ITS DIFFICULTIES WITH GOVERNMENT OF ANTIGUA (GOA). INFO ON WIO IN LIMITED OFFICIAL USE

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PARA 2 REFERENCE (C) IS ESSENTIALLY ACCURATE, ALTHOUGH WE UNDER-

STAND PROFIT PICTURE FOR LATE 1974 AND EARLY 1975 WAS NOT ENTIRELY BAD. (ALL FIGURES IN FOLLOWING TEXT ARE US DOLLAR).

2. IT MAY BE USEFUL TO LOOK BRIEFLY AT BACKGROUND OF WIO AS IT PERTAINS TO PRESENT CIRCUMSTANCES. PRESENT OPPOSITION ANTIGUA LABOR PARTY (ALP) NEGOTIATED WIO CONCESSION WHEN IT WAS IN POWER IN 1961 WITH NATOMAS AND AMERICAN INTERNATIONAL OIL (AMOCO) WITH IDEA THAT REFINERY WOULD SERVICE WEST INDIES FEDERATION. FOLLOWING DEMISE OF FEDERATION IN FOLLOWING YEAR, PARTICIPANTS ALTERED CONCEPT TO EXPORT-ORIENTED BUSINESS AND OPERATION CAME ON STREAM IN 1967 WITH 10,000 B/D CAPACITY. REFINERY EXPERIENCED POLITICAL AND LABOR PROBLEMS EARLY ON AND THESE, COUPLED WITH FACT THAT AMOCO'S PREMIUM GULF CRUDE PROVED UNSUITABLE, CAUSED LATTER TO TERMINATE ITS PARTICIPATION IN VENTURE. NATOMAS BECAME SOLE OWNER IN 1969 AND EXPANDED REFINERY CAPACITY TO 16,000 B/D AS WELL AS DEVELOPING BUNKERING AND MARKETING FACILITIES IN AN ATTEMPT TO MAKE OPERATION PROFITABLE. DESPITE EFFORTS BY WIO TO ASSIST GOA, REFINERY EXPERIENCED SEVERE DIFFICULTIES WITH ITS SUPPLY OF ELECTRICITY AND WATER. EVENTUALLY WIO ACQUIRED ITS OWN ELECTRICAL GENERATING CAPACITY AND INTRODUCTION OF WATER TREATMENT PLANT EASED WATER SITUATION.

3. BASIC PROBLEM OF UNPROFITABLE SCALE OF OPERATION AND DIFFICULTIES IN OBTAINING SUITABLE CRUDE RESULTED IN CONTINUING HIGH LOSSES FOR NATOMAS. LATTER, APPARENTLY UNWILLING TO SHOULDER INCREASED INVESTMENT ON ITS OWN, BEGAN NEGOTIATIONS WITH SEVERAL OIL FIRMS HAVING ACCESS TO SUITABLE CRUDE TO PARTICIPATE IN EXPANSION PROGRAM. ALL OF FIRMS CONTACTED, HOWEVER, EXPRESSED CONCERN AT LARGE SIZE OF WIO WORKFORCE AND HIGH COST OF OPERATIONS AND DECLINED TO PARTICIPATE. IN AN EFFORT TO CUT COSTS, WIO CARRIED ON SEVERAL RETRENCHMENT PROGRAMS (IN FACE OF GOA OPPOSITION) IN PAST 18 MONTHS REDUCING ITS STAFF FROM 300 TO 250. BUT BASICALLY, REFINERY'S SMALL SCALE, ITS LOCATION FAR FROM INDUSTRIAL SERVICE AREAS, FROM CRUDE SOURCES AND FROM PRODUCT MARKETS MAKE IT AN EXTREMELY UNPROFITABLE VENTURE. RECENT PRODUCT PRICE INCREASES HAVE BRIGHTENED PICTURE SOMEWHAT BUT WIO OVERALL COSTS RUN AT LEAST 50 PERCENT HIGHER THAN ITS COMPETITORS.

4. WIO RECORD AS CORPORATE CITIZEN IS GOOD. APART FROM REFINERY' CONSIDERABLE OPERATIONAL CONTRIBUTIONS TO ECONOMY, WIO ASSISTED LIMITED OFFICIAL USE

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GOA WITH CONSTRUCTION OF FRIARS HILL POWER STATION BY PRE-PAYING FOR ITS ELECTRICITY AND GUARANTEEING GOA INCOME OF \$225,000 ANNUALLY. AFTER THIS STATION FAILED AND WIO ACQUIRED ITS OWN POWER SOURCE, WIO DID NOT SEEK REFUNDING OF \$125,000 PAID TO GOA FOR ELECTRICITY NEVER OBTAINED. WIO ALSO SPENT SOME \$25,000 IN LAYING PRODUCT LINES TO GOA STORAGE FACILITIES IN 1971. AS MENTIONED PREVIOUSLY, WIO HAS CONTINUED TO SUPPLY PRODUCTS TO GOA ALTHOUGH LATTER REMAINS OVER \$750,000 IN ARREARS ON THESE ACCOUNTS. ALSO,

IN 1972 WHEN NO OTHER PETROLEUM MARKETING COMPANY MADE BID FOR GOA BUSINESS, WIO MADE PRODUCTS AVAILABLE TO GOA AT SOME DOLS 250,000 LESS THAN IT COULD HAVE RECEIVED FROM OTHER CUSTOMERS. IN LATE 1974, WIO ALSO MADE PAYMENT TO GOA OF UCPPO TO EASE LATTER'S STRAITENED FINANCIAL CIRCUMSTANCES.

5. POLITICALLY, WIO REFINERY IS IN DELICATE POSITION. REFINERY, WHICH IS PROBABLY AT LEAST AS IMPORTANT TO ANTIGUA ECONOMY AS HOTEL BUSINESS, REPRESENTS AND ACHIEVEMENT OF OPPOSITION ANTIGUA LABOR PARTY AND GEORGE WALTER AND HIS PROGRESSIVE LABOR PARTY HAVE NEVER ACCEPTED WIO OR ITS CONCESSION AGREEMENT. THEY HAVE CHARACTERIZED WIO AS GAINING A LARGE MEASURE OF BENEFITS IN EXCHANGE FOR A SMALL (SIC) NUMBER OF JOBS. WALTER HAS REPEATEDLY PRESSURED WIO TO RENEGOTIATE CONCESSION AGREEMENT AND IN 1974 ATTEMPTED TO OPEN UP ANTIGUA TO OTHER REFINING OPERATIONS BY INVITING IN OTHER INVESTORS TO SET UP REFINERY (IN VIOLATION OF WIO CONCESSION TERMS). WALTER WAS NEGOTIATING WITH NORWEGIAN GROUP RE A REFINERY BUT (WE UNDERSTAND BECAUSE OF EXCESSIVE DEMANDS) THESE NEGOTIATIONS COLLAPSED AND WALTER THIS SPRING EMBARKED ON TOUR OF ARAB NATIONS AND VENEZUELA IN AN APPARENT EFFORT TO SEEK AID OR INVESTMENT FUNDS.

6. APPROACHING ANTIGUA ELECTIONS (DUE NOT LATER THAN MAY 1976) MAKE IT DESIRABLE FOR WALTER TO ACCOMPLISH SOMETHING RE WIO. AS IT NOW STANDS, REFINERY REMAINS TANGIBLE ECONOMIC ACHIEVEMENT OF PREVIOUS ALP (BIRD) GOVERNMENT, WHILE WALTER REGIME HAS THUS FAR BEEN UNABLE TO ATTRACT ANY SIGNIFICANT NEW INVESTMENTS.

7. EARLY IN 1975, GOA PRESENTED WIO WITH DEMAND TO RESTRUCTURE CONCESSION AGREEMENT UNDER WHICH FIRM OPERATES IN ANTIGUA. GOA DEMANDS INCLUDED THROUGHPUT TAX AND OTHER PAYMENTS AND CONCESSIONS WHICH NATOMAS CONSIDERED UNREASONABLE IN LIGHT OF TERMS OF ITS ORIGINAL AGREEMENT. NATOMAS RESPONDED TO GOA TO EFFECT THAT LIMITED OFFICIAL USE

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IT NOT AGREE TO ALL GOA REQUESTS BUT THAT IT WAS WILLING TO SELL OR DISPOSE OF ITS INTEREST IN WIO. GOA PREMIER GEORGE WALTER SENT LETTER TO WIO MANAGING DIRECTOR EUGENE BERTRAND DATED MAY 9, 1975 TO EFFECT THAT GOA WAS INTERESTED IN ACQUIRING 100 PERCENT INTEREST IN WIO AND ITS SUBSIDIARIES AND ASKED WIO TO NAME REPRESENTATIVES AND DATES ON WHICH DISCUSSIONS TO THIS END COULD BE HELD.

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ACTION ARA-10

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8. GOA INTENTIONS AND DISPUTE WITH WIO WAS MADE PUBLIC IN RECENT BROADCAST BY OPPOSITION PARTY -- A DEVELOPMENT WHICH ANGERED PREMIER WALTER WHO BLAMED WIO FOR LEAK. (IN FACT, ONE OF WIO'S DIRECTORS, COSMO PHILLIPS, IS PROMINENT OPPOSITION SUPPORTER AND PHILLIPS' PRESENCE ON BOARD IS FURTHER IRRITANT TO WALTER.) WALTER SUBSEQUENTLY MADE AT LEAST ONE PUBLIC STATEMENT ANNOUNCING GOA INTENTION OF ACQUIRING WIO. WIO, ON ITS PART, ISSUED LETTER EXPLAINING SITUATION TO ITS 250 EMPLOYEES AND LATER FOLLOWED THIS UP WITH PRESS RELEASE.

9. MAN BEHIND SCENES IN THIS WHOLE PROCESS IS WALTER'S "OIL ADVISER," FRANK D. ST. HILAIRE. ST. HILAIRE TRINIDAD-BORN AMCIT OF EQUIVOCAL REPUTATION, WAS FORMERLY MANAGING DIRECTOR OF WIO. NATOMAS FIRED HIM UNDER SHADY CIRCUMSTANCES SOME FIVE YEARS AGO AND ST. HILAIRE HAS BEEN WHEELING AND DEALING IN PETROLEUM FIELD FOR SEVERAL YEARS, MOSTLY OUT OF BROOKLYN. ABOUT TWO YEARS AGO, HE APPEARED AGAIN IN ANTIGUA WHERE HE HAD LONG BEEN FRIENDLY WITH WALTER AND UTILITIES CHAIRMAN DONALD HALSTEAD. WALTER SUBSEQUENTLY NAMED HIM " OIL ADVISER" AND HEAD OF PAPER "ANTIGUA  
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PETROLEUM COMPNAH." WIO SPECULATES THAT ST. HILAIRE'S MOTIVATION

MAY BE RELATED TO DESIRE TO BECOME DEALER IN CRUDE PETROLEUM FROM OPEC STATES (WHICH APPARENTLY ONLY SELL TO END USERS). EMBASSY KNOWS LITTLE OF ST. HILAIRE HIMSELF BUT BELIEVES HE IS OF QUESTIONABLE REPUTATION AND UNCERTAIN INTENTIONS. IN PRIVATE CONVERSATION, PREMIER STATED HE WOULD CONTINUE TO SUE ST. HILAIRE AS LONG AS HE SUITED PREMIER'S PURPOSES.

10. COMMENT: LONG TERM OUTLOOK FOR WIO IS NOT GOOD. REFINERY IS SIMPLY TOO SMALL AND REMOTE TO BE REALLY PROFITABLE AND POOR INDUSTRIAL RELATIONS CLIMATE AND CONSTANT PRESSURE BY GOA HAVE MILITATED AGAINST ANY FURTHER CAPITAL INVESTMENT BY NATOMAS TO ENLARGE CAPACITY. EMBASSY DOES NOT SEE ECONOMIC PICTURE IN ANTIGUA NOR GOA ATTITUDE TOWARDS WIO IMPROVING IN FORESEEABLE FUTURE (REF (B)). ALTHOUGH GOA PROBABLY HAS NATIONALIZATION UNDER ACTIVE CONSIDERATION, PRECARIOUS GOA FINANCIAL POSITION MAKES IT QUESTIONABLE WHETHER WALTER WOULD BE ABLE TO OFFER ANY ACCEPTABLE PAYMENT TO NATOMAS FOR MANY YEARS TO COME. UNKNOWN RESULTS OF HIS TRIPS TO ARABIAN OPEC MEMBER COUNTRIES AND VENEZUELA MAY EFFECT HIS ABILITY TO DEAL WITH WIO.

11. NEVERTHELESS, THERE ARE A FEW WAYS IN WHICH TO IMPROVE SITUATION. NATOMAS MUST BE MADE AWARE OF PRICKLY POLITICAL NATURE OF WIO'S PRESENT CIRCUMSTANCES AND IT MUST BE EMPHASIZED THAT SOME CARE SHOULD BE TAKEN TO AVOID FURTHER BRUISING WALTER'S EGO AND WHAT HE CONSIDERS TO BE ANTIGUA'S PRIDE. WALTER REMARKED RECENTLY TO AMBASSADOR THAT "LARGE COMPANIES MUST NOT TREAT LITTLE ANTIGUA LIKE TRASH." WE ARE FULLY AWARE THAT WALTER GREATLY EXAGGERATES THESE THINGS BUT TONE OF NATOMAS' LETTERS TO HIM HAS APPARENTLY NOT BEEN SUCH AS TO INSPIRE MUTUAL RESPECT NECESSARY FOR SUCCESSFUL NEGOTIATION. WALTER STATES HE WAS INCENSED BY RECENT "INSULTING" LETTER FROM LOWER RANKING NATOMAS ATTORNEY.

EMBASSY UNDERSTANDS (FROM SOURCE OUTSIDE WIO) THAT NATOMAS RECENTLY SENT FOLLOW-UP LETTER TO WALTER (WHICH WALTER HAS NOT YET RECEIVED) WHICH IS COUCHED IN TERMS LIKELY TO EXACERBATE SITUATION. NATOMAS SHOULD BE MADE AWARE OF ADAGE "SMALLER THE COUNTRY, LARGER THE DIGNITY" AND DEAL WITH ANTIGUANS IN MORE DIPLOMATIC FASHION. WE HAVE NO SPECIFIC COURSES OF ACTION TO SUGGEST TO RETRIEVE SITUATION BUT IT SEEMS TO US LOGICAL FOR NATOMAS TO PRESENT ITS CASE TO WALTER (PERHAPS BY HIGH LEVEL EXECUTIVE LIMITED OFFICIAL USE

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DISPATCHED FOR THAT PURPOSE), STRESSING ADVANTAGES OF COMPANY'S INTERNATIONAL CONTACTS AND ORGANIZATION, ITS INTERNATIONAL MARKETING APPARATUS AND OUTLINING SOME OF MANIFOLD DIFFICULTIES GOA WOULD EXPERIENCE IN OPERATING REFINERY IN NEAR TERM BECAUSE OF LACK OF TRAINED PEOPLE AND CPAITAL (GOA REPUTATION AS BORROWER AT THIS STAGE IS PRACTICALLY NIL). AT ANY RATE, WE WOULD HOPE THAT NATOMAS COULD MASSAGE WALTER A BIT AND GIVE HIM DATE FOR DISCUSSIONS AS HE REQUESTED AT WHICH TIME ABOVE PRESENTATION WOULD BE MADE.

12. IT MIGHT ALSO BE USEFUL IF NATOMAS (OR OTHER SOURCES) COULD COLLECT BACKGROUND MATERIAL ON ST. HILAIRE FOR POSSIBLE USE.

13. BOTH WIO AND PREMIER HAVE SHARED THEIR POSITIONS AND GRIEVANCES IN RECENT MEETINGS WITH AMBASSADOR AND PROMISED TO FORWARD COPIES OF RELEVANT CORRESPONDENCE. UNTIL LATTER IS RECEIVED AND REVIEWED, ANY POSITION WOULD BE PREMATURE. END COMMENT.  
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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM INDUSTRY, REFINERIES, POLITICAL SITUATION, OPPOSITION PARTIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 03 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Original Handling Restrictions:** n/a  
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**Reference:** 75 BTN A-001, 75 BTN A-049, 75 STATE 124101  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
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**Subject:** ANTIGUA: STATUS OF WEST INDIES OIL  
**TAGS:** EINV, PINT, ENRG, BBAK, AC, WEST INDIES OIL CO, NATOMAS OIL CO  
**To:** STATE  
**Type:** TE  
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